

MUNIPAY USER'S MANUAL

Multimedia Enforcement Division (2248-A)
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Office of Enforcement and Compliance Assurance
United States Environmental Protection Agency
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THIS MANUAL IS RELEASABLE IN ITS ENTIRETY

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A. OVERVIEW

In environmental enforcement cases, the defendant/respondent may claim an inability to afford compliance costs, a Superfund cleanup contribution, and/or a penalty that the U.S. Environmental Protection Agency (EPA) seeks (hereafter called “environmental expenditures”). The ABEL model has been available to enforcement staff since the 1980s to evaluate the financial health of corporations. Until this time, however, a corresponding tool to evaluate the financial status of municipalities was not available. The Municipal Ability to Pay (“MUNIPAY”) Model fills this gap.¹

The MUNIPAY Model evaluates the economic and financial condition of municipalities. This includes towns, villages, cities, and counties of any size, and even independent and publicly owned utilities (e.g., regional wastewater treatment plants). MUNIPAY provides a consistent and theoretically sound framework for evaluating municipal affordability cases. MUNIPAY performs two separate sets of analyses: a demographic comparison, and an affordability calculation.

¹ For assessing individuals’ ability to pay, the INDIPAY model is now available.

The demographic analysis uses U.S. Census data from 1980 and 1990 to compare the municipality to state and national norms. The comparison includes indicators for both the community's population and income. The analysis also shows how the municipality's position has changed over time, both relative to itself and relative to changes in the national norms. The demographic analysis does not give the user a specific conclusion on the municipality's demographics, but instead provides a better understanding of long-term changes in the community's resource base.

The affordability analysis involves calculations for the amount of currently available funds and then, if necessary, the amount of funds available through financing. The currently available funds calculation looks for any excess monies in the municipality's "General Fund" balance and, if applicable to the case, its "Enterprise Fund" working capital balance. If currently available funds are not sufficient to pay for the environmental expenditures, the affordability analysis then assesses the municipality's current debt burden and its ability to take on additional debt to finance the environmental expenditures. Both sets of calculations have a solid grounding in the academic and professional literature of fiscal management and public finance.

Despite MUNIPAY's ability to provide a point estimate of the municipality's level of affordable expenditures, municipal affordability cases still require the user's best professional judgment. MUNIPAY does contain default values for certain parameters such as the maximum incremental tax burden from the environmental expenditures, but the user must still decide whether those default values are appropriate for the particular case. The model can help with these judgments, but final determination of the municipality's affordability ultimately is a decision only the enforcement professional can make.

Finally, although MUNIPAY is a sophisticated screening tool that can greatly assist enforcement professionals in evaluating municipal affordability claims, MUNIPAY by itself is not appropriate for use at a trial or in an administrative hearing. Rather, it is principally for use in

settlement negotiations. If affordability testimony is to be presented at trial or in an administrative hearing, an expert should provide an independent financial analysis.²

B. HOW TO USE THE MANUAL

This manual provides instructions for using the MUNIPAY Model. These instructions illustrate the model by using a hypothetical municipality as an example and show a typical model run step-by-step.

Chapter 2 describes how to use MUNIPAY. Chapter 3 defines each input you will need to evaluate a municipality's ability to pay. Chapter 4 describes the results and output from the model and explains how to change input values for subsequent runs.

Help information is available in the program if you need a variable defined, guidance on information sources, or help with the format required for an input entry. To access help, simply click on the "Help" button at the base of each screen or press the F1 key. If you need assistance in operating the program or understanding the results, please contact the U.S. EPA enforcement economics toll-free hotline at (888) ECON-SPT (326-6778) or benabel@indecon.com. If you need legal or policy guidance, please contact Jonathan Libber, the BEN/ABEL Coordinator at (202) 564-6011, or e-mail him at libber.jonathan@epamail.epa.gov.

² For assistance with the selection of an expert on financial economics analysis, enforcement staff should contact Jonathan Libber, the U.S. EPA BEN/ABEL coordinator, at (202) 564-6011 or libber.jonathan@epamail.epa.gov.